

# Delaware Sustainable Energy Utility

## Request for Qualifications

### ***SUSTAINABLE COMMUNITIES PROGRAM***

An SEU Program for  
Bundling Distributed Renewables & Energy Efficiency in the  
Residential, Commercial & Farm Sectors

August, 2009

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## BACKGROUND

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As described in the report the “Sustainable Energy Utility: A Delaware First; A Report to the Delaware State Legislature by the Sustainable Energy Utility Task Force” (The Report) the Sustainable Energy Utility (SEU) was designed to “to harness cost-effective, end-use energy efficiency and conservation options and customer-sited renewable energy applications across all sectors and fuels, including transportation.” The Report continues to state that the SEU task force enabled and funded the SEU to cover the full incremental costs between standard and high-efficiency technologies and standard fuel services and those provided by distributed renewable energy applications.”

The SEU is a public-private partnership created to promote the development of cost-effective, end-use energy efficiency and conservation options and distributed renewable energy applications across all sectors and fuels. It provides a ‘one-stop shop’ to help residents, businesses, farms and factories use less energy and generate their own energy cleanly. The SEU leverages capital and other resources to address the shortcomings of traditional approaches to sustainable energy financing.

The Sustainable Energy Utility in Delaware draws from lessons learned from initiatives in California and five Northeastern states: Connecticut, Massachusetts, New Jersey, New York and Vermont going back almost a decade. Rather than address specific segments of the supply infrastructure or limited “silos” of end users, the SEU enables and funds a competitive utility to cover the full incremental costs between standard and high-efficiency technologies and standard fuel services and those provided by distributed energy applications. Most importantly, the SEU accomplishes this with no new taxes, no new bureaucracy and without command-and-control regulation.

### A Call for Third Party-led Bundled DREE

Recent legislation in Delaware and at the federal level (notably, the American Recovery and Reinvestment Act or ARRA) has positioned the distributed renewables and energy efficiency markets (DREE) to grow rapidly. One or more third parties are sought to work with the SEU Oversight Board and Contract Administrator to capture bundled DREE opportunities by leveraging SEU capabilities and collaborating with the SEU to drive market growth. The third party contractor will be responsible for project origination, project development, construction/implementation, operations, financing, administration, and coordination with the oversight of the SEU Board and Contract Administrator. The third party contractor must seek approval by the Board for its proposed market segment(s) in the residential, commercial and farm sectors in which it will perform the above duties and drive market adoption of bundled distributed renewable energy and energy efficiency products.

Success will be measured by significant contributions to the achievement of the SEU’s distributed renewables and energy efficiency goals. These include:

- *Energy Efficiency Goal:* The SEU aims to produce a 30% reduction in energy waste among participants by 2016.
- *Distributed Renewable Energy Goal:* The SEU will assist Delaware households, businesses and farms in installing at least 100 MW of customer-sited solar photovoltaics by 2019 through the use of incentives and other policy measures. These are to be a part of an overall 200-300 MW goal that additionally includes the use of solar thermal, wind, geothermal and other renewable resources.

The potential markets for energy efficiency services and renewable energy in Delaware are significant and achievable with credible action plans.

### The Need for and Benefits of Bundled Development of Energy Efficiency and Renewable Energy

On July 21, 2009, the U.S. Department of Energy approved 34 state plans for the use of State Energy Program grants under the American Recovery and Reinvestment Act. The prescribed in-service deadline is year-end 2011. States are required to invest funds in energy efficiency, conservation and distributed renewable energy. Performance criteria include reduced energy waste, lower pollution and increases in green jobs.

The SEU's commitment to aggressive DREE goals positions Delaware to be a leader among states under these performance criteria. SEU investments in renewable energy options will produce approximately twice as many new permanent jobs as the equivalent investment in conventional energy options; and its investments in energy efficiency and conservation are estimated to generate 4-5 times as many new permanent jobs as would result from investments in conventional energy options.

Bundling investments in these strategic resources will enhance the efficiency of program delivery while building market opportunities at a scale to attract private investment.

The SEU will finalists with demonstrated experience and the requisite skills needed to develop and begin executing immediately bundled energy savings and renewable energy programs. Given the years of 'spade work' necessary to position the SEU to begin executing its mission, early momentum towards achieving its potential will be integral to its success in the minds of key stakeholders throughout the state, including the public at large.

Applicants should identify and demonstrate the core competencies needed to collaborate efficiently and effectively with the SEU, further driving growth in the markets for efficiency and distributed renewable energy applications. These competencies include, but are not limited to:

- An integrated organization that includes expertise and established performance in all of the following: energy efficiency delivery in one or more of the target sectors (i.e., residential, commercial and farm sectors); renewable energy delivery in one or more of the targeted sectors; the ability to deliver accurate monitoring and verification of impacts, and private equity financing to shoulder most of the capital requirement for a bundled DREE program;
- The ability to source DREE technologies and monitoring systems at competitive prices and from multiple suppliers, especially as industry costs continue declining;
- Clear plans for hiring Delaware contractors and workers to perform the variety of implementation tasks needed to carry out a bundled DREE program;
- A business model that efficiently uses the new Delaware law permitting the SEU to 'bank' and aggregate Solar and other Renewable Energy Credits in order to sell them at the highest prices to utilities and other "off-takers;" and
- A detailed sustainable energy strategy that ensures energy is first conserved, then consumed as efficiently as possible BEFORE investments are made to generate clean energy from distributed renewable energy systems.

### Role of the SEU

This RFQ is designed to identify one or more finalists with whom the SEU will negotiate specific terms for a bundled DREE program. The SEU will require the detailed description of a business model and organization that can achieve the goals outlined above. Respondents are to provide a detailed *pro forma* that spells out their market focus, the DREE technologies and strategies to be emphasized, the scale of equity financing to be brought into the state, the creditworthiness of their organization, and their record of prior performance in the DREE field. The RFQ process will utilize criteria defined below to evaluate the respondent's capabilities to contribute to the achievement of the State's DREE goals through bundled delivery mechanisms and their capabilities to effectively execute their business model.

The SEU is prepared to offer the following to support the development of bundled projects:

- The SEU is the only entity in Delaware that has the ability to acquire and hold solar renewable energy credits (SRECs) indefinitely. This allows the SEU to dampen potential price swings that could be detrimental to SREC prices in the short run, and also allows the SEU to sell SRECs into markets outside of Delaware to obtain favorable pricing.
- The SEU will have the ability to provide financing from several sources including tax exempt bonds (for qualifying projects) and revolving loan funds. Projects could be funded through the SEU, subject to qualification and negotiation of terms.

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## RFQ OBJECTIVES

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The SEU's objective for this RFQ is to identify one or more organizations that will provide a bundled approach and possess the associated competencies required for DREE bundling that can propel Delaware on a path to achieving its distributed renewable energy and energy efficiency goals. The selected candidate will be expected to effectively build on the momentum developed within the State for distributed renewable energy and energy efficiency. Respondents to this RFQ should provide both a well-defined business model and the requisite supporting infrastructure and equity financing to execute the SEU mandates in the RFQ for a three-year period. Longer program terms may be considered but will be subject to regular review and may be terminated before the completion of the program period.

The SEU is seeking responses that, at a minimum, demonstrate the following:

- Clear understanding of the Delaware and SEU objectives
- Commitment to collaboration with the SEU
- Approach and methods for supporting SEU objectives
- Competencies required to implement bundled DREE services
- Private equity investor commitments at a scale to achieve significant bundled DREE service delivery
- Other information that would demonstrate the likelihood for success.

This RFQ process is designed to facilitate these objectives by:

- Providing a structured process to ensure fair competition
- Providing sufficient flexibility in the process to allow respondents to identify creative and additive approaches
- Creating a transparent process fostering clarity and ease of assessment
- Defining and managing a process that efficiently utilizes the SEU's resources by identifying the best qualified candidate.

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## RFQ PROCESS AND CRITERIA

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The RFQ process will provide respondents the opportunity to submit information and for the SEU to clarify responses as needed. The SEU will streamline this process in order to focus its due diligence on those candidates who clearly demonstrate the requisite capabilities to support the SEU mission. After receipt of the RFQ, respondents will have three weeks to submit their Responses. The SEU will evaluate the responses and may choose to schedule meetings to gather more information. The SEU will make its selection and notify the respondents within six weeks of receiving Responses.

It is anticipated that the SEU will periodically issue an RFQ inviting respondents to address the need for bundled DREE program development. Lessons learned from each RFQ may result in modifications of future RFQ postings.

### **Evaluation Criteria**

In this Request for Qualifications, the SEU will select one or more finalists based on the criteria listed below.

#### **Functional Capabilities**

- Market development including the ability to work effectively with non-governmental and governmental entities
- Distributed renewable energy and energy efficiency project origination in residential, commercial and/or farm sectors
- A record of cost-effective delivery of energy efficiency and distributed renewable energy audits
- Distributed renewable energy project development and construction
- Renewable energy plant operating experience
- Aggregation and management of SRECs
- Capital sourcing

#### **Relevant Market Expertise**

- Experience in PJM markets
- Experience in the Delaware energy markets and other relevant markets
- Experience working with public and private utilities, including but not limited to those in Delaware

#### **Organizational Capabilities**

- Organizational structure and approach for interfacing with the SEU
- Core competencies with a clear case why these competencies should be provided by a third party
- Functions that may be outsourced
- Expectations for the SEU's role and functions

- Strategy for originating and developing projects
- Strategy for leveraging the SEU funds by sourcing outside capital
- Strategy for managing SRECs
- Relevant schedules
- Commercial terms between respondent and the SEU
- Other attributes

### **DREE Bundling Concept**

- The market segment(s) proposed for bundling of DREE services
- The fuel(s) affected
- Key features that distinguish the proposed bundled DREE service from current market offerings
- The scale of energy savings and renewable energy supply per year and the expected lifetime of savings and supply
- Participant energy cost impacts projected over at least 10 years
- Pollutant impacts projected over at least 10 years
- Job creation potential by major job category
- Estimated permanent job impacts with a clear identification of the method used for their estimation
- Barriers removed and problems solved by the new concept
- Reasons why the market can be expected to scale faster than under existing market and policy conditions

### **Response Requirements**

Qualification packages must be organized in the structure provided below.

1. Executive summary
2. Write ups for each criteria area:
  - Functional Capabilities and Experience
  - Market Expertise
  - Organizational Capabilities
3. Contact information
4. Supporting documents, as appropriate

The qualification packages will be judged not only on the breadth and depth of relevant expertise but also on the specificity of the supporting information. The Concept section should provide a clear case why the proposal should be regarded as a solution to the challenge of scaling sustainable energy development.



The SEU may seek to verify representations made in the qualification packages. The inability to substantiate information provided could result in the disqualification of the respondent.

The SEU reserves the right to disqualify any proposal if it is judged inadequate in any of the criteria.

The SEU shall consider material provided by the respondent as non-confidential, unless clearly marked as confidential. The SEU may be legally required to release confidential information in discovery or due diligence. Should the SEU be legally required to release confidential information, the SEU will notify the respondent.

For the initial round of this RFQ, respondents shall email a PDF of their Response to the email address below by [Date]

The SEU expects to select finalists for the RFP phase by [Date].

#### CONTACT INFORMATION

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